

P. BROWN

PAUL BROWN, JR.

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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

IN RE: ADAMS GOLF, INC. : CONSOLIDATED
SECURITIES LITIGATION : C.A. NO. 99-371 KAJ
_____ X

ORAL DEPOSITION OF PAUL BROWN, JR.

Tuesday, May 16th, 2006

The oral deposition of PAUL BROWN, JR.,
was held at the law offices of Akin Gump Strauss
Hauer & Feld, LLP, 1700 Pacific Avenue, Suite
4100, Dallas, Texas, from 9:41 a.m. to 12:57 p.m.,
before Jamie K. Israelow, a Certified Shorthand
Reporter in and for the State of Texas, Registered
Professional Reporter, Certified Realtime Reporter
and Certified LiveNote Reporter.

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<p>09:50:52 1 accurate and complete, as far as you know, isn't it?</p> <p>09:50:58 2</p> <p>09:50:59 3 A Yes</p> <p>09:50:59 4 Q Why did you sell in the IPO?</p> <p>09:51:06 5 A I think in part to recover some of</p> <p>09:51:09 6 the funds we had invested. I think it's typical</p> <p>09:51:14 7 of investors to get a return on what we had done.</p> <p>09:51:18 8 Q There's nothing wrong with selling</p> <p>09:51:20 9 stock, and you didn't sell all of your interest by</p> <p>09:51:22 10 any means --</p> <p>09:51:23 11 A No.</p> <p>09:51:23 12 Q -- you just sold a small portion.</p> <p>09:51:27 13 Was there a time prior to the</p> <p>09:51:29 14 IPO that you had sold Adams stock or securities?</p> <p>09:51:35 15 A No.</p> <p>09:51:35 16 Q Now, when in these questions -- when</p> <p>09:51:37 17 I ask about your transactions, I'm referring to</p> <p>09:51:40 18 the shares in which you held of beneficial</p> <p>09:51:43 19 interest, so I presume the record owner was -- was</p> <p>09:51:51 20 Royal Holding; is that accurate?</p> <p>09:51:52 21 A Yes, that's correct.</p> <p>09:51:53 22 Q When I talk about you selling, I'm</p> <p>09:51:54 23 referring to those shares in which, as I</p> <p>09:51:56 24 understand it, you had a beneficial interest. Do</p>	<p>09:53:14 1 Q Was it your recommendation to make</p> <p>09:53:16 2 that sale?</p> <p>09:53:24 3 A Yes.</p> <p>09:53:29 4 Q Had Royal sold any stock or</p> <p>09:53:35 5 securities prior to the IPO?</p> <p>09:53:37 6 A No.</p> <p>09:53:37 7 Q To this day, since the IPO, has Royal</p> <p>09:53:40 8 sold or divested itself of any Adams stock?</p> <p>09:53:47 9 A Royal, the company?</p> <p>09:53:48 10 Q Yes.</p> <p>09:53:49 11 A No, they have not.</p> <p>09:53:53 12 Q So there have been no sales -- so is</p> <p>09:53:58 13 it correct that as of today, Royal owns</p> <p>09:54:02 14 approximately 7 million shares of Adams common</p> <p>09:54:09 15 stock?</p> <p>09:54:10 16 A Yes, precisely 6,374,511.</p> <p>09:54:18 17 Q Thank you.</p> <p>09:54:18 18 If you take 7,405,438 and</p> <p>09:54:23 19 subtract from that 454,745, you don't get</p> <p>09:54:27 20 6.3 million. So what happened to the difference?</p> <p>09:54:30 21 A I don't know.</p> <p>09:54:31 22 Q But there haven't been any further</p> <p>09:54:35 23 divestitures of Royal stock since the IPO?</p> <p>09:54:39 24 MS. REED: To the best of your</p>
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<p>09:51:59 1 you understand that?</p> <p>09:52:01 2 A Yes. I don't agree that I had a</p> <p>09:52:04 3 beneficial interest.</p> <p>09:52:04 4 Q Oh, I'm sorry. Why not?</p> <p>09:52:08 5 A I -- I'm not an owner of Royal</p> <p>09:52:14 6 Holding Company. I'm an officer and a director,</p> <p>09:52:16 7 but not an owner.</p> <p>09:52:19 8 Q Okay</p> <p>09:52:19 9 A I think the rules say I'm a</p> <p>09:52:22 10 beneficial owner, but I'm not.</p> <p>09:52:25 11 Q Okay. Mr. Patchin is an owner of</p> <p>09:52:28 12 Royal Holding?</p> <p>09:52:29 13 A One of the owners, yes.</p> <p>09:52:32 14 Q How many owners are there?</p> <p>09:52:37 15 A There are actually five shareholders.</p> <p>09:52:41 16 Q Who are they, please, besides</p> <p>09:52:44 17 Mr. Patchin?</p> <p>09:52:44 18 A His brother, his mother, and two</p> <p>09:52:52 19 trusts.</p> <p>09:52:52 20 Q Are they Patchin family trusts?</p> <p>09:52:56 21 A Yes.</p> <p>09:52:56 22 Q Did you participate in the decision</p> <p>09:53:02 23 to sell Royal Holdings in Adams in the Adams IPO?</p> <p>09:53:14 24 A Yes.</p>	<p>09:54:39 1 recollection? It's been 8 years.</p> <p>09:54:42 2 MR. COLLINS: I must say,</p> <p>09:54:43 3 Mr. Brown has a pretty good recollection.</p> <p>09:54:45 4 A We've not sold any stock.</p> <p>09:55:16 5 Q (By Mr. Collins) Now, let's look a</p> <p>09:55:17 6 little bit more at the prospectus</p> <p>09:55:19 7 Now, you are a signatory to</p> <p>09:55:21 8 the registration statement to which the prospectus</p> <p>09:55:23 9 is an exhibit, correct?</p> <p>09:55:26 10 A Yes.</p> <p>09:55:27 11 Q And when you put your signature on</p> <p>09:55:29 12 the S1, you did so, I gather, believing that the</p> <p>09:55:36 13 S -- that the S1 and the prospectus were true,</p> <p>09:55:40 14 accurate, and complete. Is that accurate?</p> <p>09:55:45 15 A Yes.</p> <p>09:55:45 16 Q Did you read drafts of the prospectus</p> <p>09:55:49 17 before you signed the registration statement?</p> <p>09:55:55 18 A Yes.</p> <p>09:55:55 19 Q More than one?</p> <p>09:56:01 20 A Yes, I'm sure it would be more than</p> <p>09:56:02 21 one.</p> <p>09:56:03 22 Q Were there any particular parts of</p> <p>09:56:05 23 the prospectus that you focused on when you read</p> <p>09:56:10 24 the prospectus before signing the registration</p>

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<p>09:56:16 1 statement?</p> <p>09:56:21 2 A Yes.</p> <p>09:56:21 3 Q What were those, please?</p> <p>09:56:28 4 A I looked at the numbers, of course,</p> <p>09:56:31 5 on the balance sheet.</p> <p>09:56:33 6 Q The historical results?</p> <p>09:56:37 7 A Yes. And with particular attention</p> <p>09:56:42 8 to accounts receivable, inventories, other assets,</p> <p>09:56:51 9 and also looked at the risk factors and the</p> <p>09:56:57 10 description of the business.</p> <p>09:57:01 11 Q Now, your focus on the financial</p> <p>09:57:07 12 statements, I'm sure, was partly because you're a</p> <p>09:57:10 13 CPA. Is that accurate?</p> <p>09:57:12 14 A Yes.</p> <p>09:57:12 15 Q Any other reasons why you were</p> <p>09:57:16 16 focused, for example, on accounts receivable?</p> <p>09:57:21 17 A Generally, it's a pretty big number</p> <p>09:57:25 18 in the balance sheet. It's just one of those</p> <p>09:57:28 19 assets that you -- that you look at closely, I</p> <p>09:57:33 20 think.</p> <p>09:57:33 21 Q And when you say it's generally a</p> <p>09:57:36 22 pretty big number, you mean with regard to Adams</p> <p>09:57:39 23 Golf or with regard to all companies?</p> <p>09:57:41 24 A With regard to Adams, it would have</p>	<p>09:59:18 1 English.</p> <p>09:59:20 2 Q (By Mr. Collins) When you looked at</p> <p>09:59:21 3 a draft or drafts of the prospectus and you read</p> <p>09:59:24 4 the risk factors disclosure in that draft, did you</p> <p>09:59:28 5 see at any time any risk that you didn't think</p> <p>09:59:30 6 needed to be included?</p> <p>09:59:40 7 A No. But that's really more based on</p> <p>09:59:43 8 what gets put into these than whether or not I</p> <p>09:59:48 9 viewed something as an actual risk. Most of these</p> <p>09:59:53 10 things were -- such as raw material sourcing,</p> <p>10:00:00 11 competition. They were all valid, valid things.</p> <p>10:00:04 12 Q And when you say "valid things,"</p> <p>10:00:06 13 please, you mean what?</p> <p>10:00:12 14 A Obviously, they were factors to be</p> <p>10:00:15 15 considered because competition is -- in the</p> <p>10:00:20 16 business was pretty keen. We were essentially a</p> <p>10:00:22 17 new company for all intents and purposes in that</p> <p>10:00:29 18 business. Sourcing the raw materials was not</p> <p>10:00:34 19 always going to be easy.</p> <p>10:00:39 20 Q Sure.</p> <p>10:00:39 21 A So those kind of things, I felt, were</p> <p>10:00:46 22 important.</p> <p>10:00:46 23 Q And when you say they were important,</p> <p>10:00:48 24 you meant it was important to tell investors these</p>
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<p>09:57:43 1 been a significant number. With regard to our</p> <p>09:57:48 2 company, it's a significant number.</p> <p>09:57:51 3 Q Now let's talk about the risk factors</p> <p>09:57:54 4 for a moment. I believe they begin on Page 6 of</p> <p>09:58:00 5 the document.</p> <p>09:58:25 6 Who did the first draft of the</p> <p>09:58:26 7 risk factors?</p> <p>09:58:27 8 A Actually, I don't know.</p> <p>09:58:28 9 Q Was it somebody inside the company?</p> <p>09:58:30 10 A Inside Adams?</p> <p>09:58:31 11 Q Right.</p> <p>09:58:32 12 A I don't know that.</p> <p>09:58:32 13 Q Do you know if it was a lawyer?</p> <p>09:58:36 14 A I -- I don't know that.</p> <p>09:58:38 15 Q Okay. Did you -- I know it's a long</p> <p>09:58:41 16 time ago, but when you focused on the risk</p> <p>09:58:47 17 factors, did you have any suggestions for</p> <p>09:58:51 18 different language?</p> <p>09:58:55 19 A I don't recall having any, no.</p> <p>09:58:57 20 Q Did you suggest that any of the</p> <p>09:59:06 21 factors listed didn't need to be listed, they</p> <p>09:59:12 22 weren't really risk factors?</p> <p>09:59:14 23 MR. COLLINS: You know what,</p> <p>09:59:16 24 that wasn't comprehensive. Let me translate into</p>	<p>10:00:51 1 were material risks to Adams Golf in its business</p> <p>10:00:58 2 going forward?</p> <p>10:01:01 3 A Yes.</p> <p>10:01:01 4 Q Now, the -- the raw materials, that</p> <p>10:01:06 5 was a risk that applied to any company in the golf</p> <p>10:01:09 6 equipment industry, right?</p> <p>10:01:14 7 A Yes.</p> <p>10:01:14 8 Q And you mentioned that Adams Golf was</p> <p>10:01:22 9 a newer company. I think I heard you say:</p> <p>10:01:25 10 Certainly it was a smaller company in the</p> <p>10:01:25 11 industry.</p> <p>10:01:28 12 But the fact is that every</p> <p>10:01:31 13 golf club manufacturer also faced a risk with</p> <p>10:01:36 14 regard to competition; is that accurate?</p> <p>10:01:43 15 A Yes.</p> <p>10:01:43 16 Q Now, is there any -- and I'm going to</p> <p>10:01:52 17 switch you over to Page 6 now.</p> <p>10:01:55 18 Is it accurate that other --</p> <p>10:02:02 19 is it accurate that other participants --</p> <p>10:02:08 20 MR. COLLINS: Off the record,</p> <p>10:02:10 21 please.</p> <p>10:02:10 22 (An off-the-record discussion</p> <p>10:02:46 23 was held from 10:02 to 10:02.)</p> <p>10:02:47 24 MR. COLLINS: Let's go back.</p>

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<p>10:02:49 1 Q (By Mr Collins) Let's look at 10:02:51 2 Page 6 under Risk Factors The first one 10:02:55 3 mentioned: Dependence on new product 10:02:58 4 introductions 10:02:58 5 That was a risk in general 10:03:03 6 that every club manufacturer faced, correct? 10:03:08 7 A Yes. 10:03:08 8 Q And uncertain consumer acceptance of 10:03:11 9 the company's product was also what I would call 10:03:13 10 an industrywide risk, correct? 10:03:16 11 A Yes. 10:03:20 12 Q Okay Same with regard to patents 10:03:22 13 and protection of proprietary technology, 10:03:29 14 dependence upon key personnel and endorsements and 10:03:35 15 risks associated with acquisitions, correct? 10:03:40 16 A The last -- 10:03:42 17 Q Sorry Let me say it again 10:03:44 18 Is it also accurate that other 10:03:47 19 companies in the golf club industry, in addition 10:03:50 20 to Adams, faced risks arising out of protection of 10:03:58 21 proprietary technology. dependence on key 10:04:03 22 personnel and endorsements, and risks associated 10:04:07 23 with acquisitions? 10:04:17 24 A Yes</p>	<p>10:05:36 1 registration statement, so I want your opinion as 10:05:42 2 to why you think -- you thought it was okay not to 10:05:46 3 include gray marketing in the risk factors, 10:05:49 4 correct? 10:05:50 5 A Yes. 10:05:50 6 Q Tell me why, please. 10:05:52 7 A I did not view it as a significant 10:05:55 8 risk. 10:05:57 9 Q Okay. Why not, please? 10:06:00 10 A I don't believe it had a significant 10:06:03 11 impact on the company. At the time, I did not 10:06:06 12 believe it would have a significant impact on the 10:06:10 13 company. 10:06:14 14 Q Okay. Now, as of the time of the 10:06:18 15 IPO, did you believe that gray marketing had 10:06:21 16 affected some company or companies in the golf 10:06:24 17 club industry? 10:06:35 18 A I -- I suspect -- or I felt it might 10:06:38 19 have had some impact, but there were other things, 10:06:42 20 such as the statements by the USGA, for instance, 10:06:51 21 that I felt had much more impact on actually 10:06:57 22 individual companies, as well as the industry -- 10:06:59 23 Q I see 10:07:00 24 A -- as a whole.</p>
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<p>10:04:17 1 Q By the same token, other companies in 10:04:19 2 the industry faced risks with regard to the 10:04:26 3 seasonality of business. Some quarters are better 10:04:30 4 than others in this industry with regard to 10:04:33 5 conducting business abroad; is that correct? 10:04:45 6 A The question that everybody faces 10:04:47 7 that risk? 10:04:48 8 Q In the golf club industry, yes. 10:04:51 9 A Yes, pretty much. 10:04:53 10 Q Okay. Now, as you well know, one of 10:04:55 11 the things -- you know you're a defendant in this 10:04:58 12 lawsuit, Mr. Brown? 10:04:59 13 A Yes. 10:04:59 14 Q And you know that one of the issues 10:05:02 15 in this lawsuit is that this set of risk factors 10:05:06 16 didn't include any mention of gray marketing. 10:05:09 17 You're aware of that? 10:05:12 18 A Yes. 10:05:13 19 Q Okay. Now, tell me why this set of 10:05:18 20 risk factors didn't include gray marketing. 10:05:27 21 A From my review of it? 10:05:36 22 Q If you would 10:05:36 23 Now, as a preface, I'm asking 10:05:36 24 this question because you are a signatory of the</p>	<p>10:07:02 1 Q I see. 10:07:04 2 Now, in your last answer when 10:07:06 3 you say you thought gray marketing might have had 10:07:08 4 some impact, you were referring, I gather, to 10:07:11 5 companies other than Adams in the industry? 10:07:24 6 A Yes. 10:07:25 7 Q So am I getting this correct, that as 10:07:29 8 of the time of the IPO you think gray marketing 10:07:32 9 might have been a material risk for other 10:07:36 10 companies in the industry, just not Adams Golf? 10:07:41 11 A I didn't think gray marketing was 10:07:46 12 material. 10:07:46 13 Q So with regard to other companies, at 10:07:49 14 the time of the Adams IPO, you thought it might 10:07:52 15 have been a factor for other companies in the golf 10:07:56 16 industry, but not a material factor, not a 10:07:58 17 material risk? 10:07:59 18 MS. REED: Are you asking for 10:08:00 19 his personal knowledge of other companies, or what 10:08:02 20 are you asking? 10:08:04 21 MR. COLLINS: Well, no. 10:08:05 22 Q (By Mr. Collins) Actually, what I'm 10:08:06 23 talking about is your understanding at the time of 10:08:09 24 the IPO, based upon the work you did to put your</p>

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10:08:16 1	signature to this registration statement.	10:11:14 1 Q Were you advised orally or in writing
10:08:19 2	So based upon what you knew at	10:11:18 2 or both?
10:08:21 3	the time of the IPO, what is it that made you	10:11:26 3 A I'd say probably orally. I just
10:08:26 4	think it was a risk for other companies, but not a	10:11:30 4 don't remember
10:08:29 5	material risk, if I heard you correctly?	10:11:31 5 Q It's a long time ago.
10:08:32 6	MS. REED: Objection,	10:11:33 6 You're aware that a press
10:08:33 7	misstates prior testimony.	10:11:35 7 release was issued by Adams in June with regard to
10:08:35 8	Q (By Mr. Collins) Let's start again.	10:11:41 8 the appearance of Adams Golf clubs at Costco?
10:08:36 9	Why didn't you believe at the	10:11:46 9 You're aware of that?
10:08:38 10	time of the Adams IPO that gray marketing was a	10:11:51 10 A Yes.
10:08:47 11	material risk for other companies in the industry?	10:11:51 11 Q And you were aware of that fact at
10:08:54 12	A I didn't believe it was a material	10:11:53 12 the time of the IPO?
10:08:56 13	risk at any time.	10:12:00 13 A Yes.
10:08:57 14	Q Okay. Tell me why.	10:12:00 14 Q Did you ever say to anybody, Barney
10:09:07 15	A I would believe there were two	10:12:03 15 Adams, a lawyer, anybody: Do we need to disclose
10:09:08 16	reasons, maybe more. The most significant reason,	10:12:06 16 this Costco action in the IPO, in the prospectus?
10:09:13 17	from the company's perspective, those clubs being	10:12:14 17 A I don't -- I don't believe so.
10:09:17 18	sold on the gray market represented sales from the	10:12:15 18 Q Anybody besides yourself raise that
10:09:19 19	company, so they were selling their clubs. They	10:12:18 19 question, who was signatory to the registration
10:09:21 20	were not -- as opposed to being stolen, they were	10:12:22 20 there?
10:09:29 21	being paid for those golf clubs.	10:12:22 21 MS. REED: Are you saying to
10:09:31 22	Q I see.	10:12:23 22 the extent he knows or he had the conversation?
10:09:33 23	A The second thing is that the number	10:12:26 23 MR. COLLINS: Oh, yes. Yes,
10:09:34 24	of clubs involved for Adams, or any other company,	10:12:28 24 of course.
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10:09:42 1	I do not feel was significant relative to the --	10:12:29 1 A Yes.
10:09:48 2	the overall totals	10:12:30 2 Q (By Mr. Collins) Anybody who
10:09:56 3	Q Now, in your last answer, when you	10:12:31 3 participated -- there were a number of people, I
10:10:00 4	talked about the number of clubs being sold to the	10:12:37 4 presume, with this registration statement who
10:10:02 5	gray market not being significant, were you	10:12:37 5 participated in the drafting, lawyers, company
10:10:05 6	referring to Adams or other companies?	10:12:48 6 personnel, others, correct? Is that accurate,
10:10:09 7	A Actually, any -- any of the	10:12:48 7 sir?
10:10:11 8	companies, but I don't think -- I don't think they	10:12:48 8 A I guess I don't know for certain.
10:10:15 9	were significant to Adams either.	10:12:48 9 Q To your knowledge, did anybody who
10:10:20 10	Q Let's go back to Adams.	10:12:49 10 participated in the preparation of the
10:10:22 11	At the time of the IPO, had	10:12:53 11 registration statement question whether there
10:10:29 12	any gray marketing occurred with regard to Adams'	10:12:56 12 should be a reference to the gray market activity
10:10:36 13	clubs?	10:13:01 13 or the Costco litigation in the prospectus?
10:10:36 14	A There -- there may have been some.	10:13:04 14 A I'm not aware of anyone.
10:10:38 15	There was some.	10:13:07 15 Q Okay. Okay. Now, I want to ask you
10:10:39 16	Q What was the basis of your	10:13:19 16 a couple of questions now relating to the period
10:10:40 17	information about that at the time of the IPO?	10:13:22 17 after the IPO, and I'll probably drag you back to
10:10:45 18	A Basis? I was advised as -- I was	10:13:25 18 the IPO later.
10:10:51 19	advised that by the people in the company, in	10:13:27 19 As you understand it, you're
10:10:56 20	Adams, that some -- some gray market activity.	10:13:28 20 saying that at the time of the IPO, you personally
10:11:00 21	Q And who told you that?	10:13:32 21 believed gray marketing was not a material risk to
10:11:05 22	A I -- exactly who, I'm not sure.	10:13:35 22 Adams, correct?
10:11:11 23	Q Barney Adams?	10:13:36 23 A Yes.
10:11:14 24	A It could have been.	10:13:37 24 Q Did there come a time subsequent to

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<p>11:23:44 1 \$40 or whatever that number is to join so that I</p> <p>11:23:48 2 can save \$40 on a golf club? I might, I might</p> <p>11:23:58 3 not, unless I thought I was going to use Costco</p> <p>11:24:02 4 beyond that.</p> <p>11:24:08 5 Q Why did Adams issue that press</p> <p>11:24:10 6 release in June about the bill of discovery filed</p> <p>11:24:14 7 in connection with Costco, if you know?</p> <p>11:24:22 8 A I suspect it was to demonstrate to</p> <p>11:24:24 9 retailers that we were, in fact, pursuing it</p> <p>11:24:32 10 because we felt that somehow Costco got the clubs,</p> <p>11:24:36 11 and we wanted to know how they did that.</p> <p>11:24:44 12 Q Okay. Well, was it that you wanted</p> <p>11:24:46 13 to get information, if you know? Was -- was it</p> <p>11:24:52 14 that Adams wanted to get information from Costco,</p> <p>11:24:54 15 or was it that Adams wanted to show its retailers</p> <p>11:24:58 16 Adams would defend the retailers' interest?</p> <p>11:25:04 17 MS. REED: Objection, vague.</p> <p>11:25:08 18 MR. COLLINS: Rephrase it --</p> <p>11:25:08 19 no, no Rephrase it.</p> <p>11:25:10 20 Q (By Mr. Collins) Did Adams Golf, to</p> <p>11:25:16 21 your knowledge, file the bill of discovery in</p> <p>11:25:18 22 order to obtain information from Costco, or</p> <p>11:25:22 23 instead, did Adams Golf file the bill of discovery</p> <p>11:25:26 24 to send a message to Adams' own retailers.</p>	<p>11:26:32 1 discovery?</p> <p>11:26:34 2 A Specifically, I'm not sure, other</p> <p>11:26:36 3 than we probably didn't discover anything I</p> <p>11:26:38 4 think we -- we didn't get any information from</p> <p>11:26:44 5 Costco.</p> <p>11:26:44 6 Q What's the basis of your information</p> <p>11:26:46 7 for that answer?</p> <p>11:26:48 8 A I think we've discussed it, over-time</p> <p>11:26:52 9 buyback.</p> <p>11:26:52 10 Q And "we" meant --</p> <p>11:26:54 11 A We, the board members, Barney and</p> <p>11:27:04 12 management --</p> <p>11:27:04 13 Q Now, going back to this particular</p> <p>11:27:10 14 sentence: The company believes that selective</p> <p>11:27:14 15 retail distribution helps its retailers to</p> <p>11:27:18 16 maintain profitable margins and maximize sales of</p> <p>11:27:20 17 Adams product.</p> <p>11:27:22 18 At the time of the IPO, was it</p> <p>11:27:24 19 possible for Adams Golf to maximize sales of Adams</p> <p>11:27:30 20 products in the event that its retailers did not</p> <p>11:27:32 21 maintain profitable margins?</p> <p>11:27:40 22 MS. REED: Objection, improper</p> <p>11:27:42 23 hypothetical, calls for speculation.</p> <p>11:27:44 24 Q (By Mr. Collins) Do you want me to</p>
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<p>11:25:34 1 A I guess I don't know precisely why</p> <p>11:25:36 2 they did that. It could be both.</p> <p>11:25:38 3 Q Were you informed before the press</p> <p>11:25:40 4 release went out that there was going to be a</p> <p>11:25:42 5 press release?</p> <p>11:25:50 6 A Yes, I believe so</p> <p>11:25:50 7 Q And were you informed before the</p> <p>11:25:52 8 lawsuit went out that there was going to be this</p> <p>11:25:54 9 bill of discovery?</p> <p>11:26:00 10 A Before which --</p> <p>11:26:00 11 Q I'm sorry. Forgive me</p> <p>11:26:02 12 The press release, which I can</p> <p>11:26:04 13 show you, the press release says: A bill of</p> <p>11:26:08 14 discovery has been filed.</p> <p>11:26:08 15 My question is: Before the</p> <p>11:26:10 16 bill of discovery was filed, were you consulted?</p> <p>11:26:18 17 A We were told that we were going to</p> <p>11:26:20 18 pursue that --</p> <p>11:26:20 19 Q And "we" meaning the board of</p> <p>11:26:22 20 directors was told?</p> <p>11:26:24 21 A Yes. I don't think collectively,</p> <p>11:26:30 22 individually, because we were all together in one</p> <p>11:26:32 23 place.</p> <p>11:26:32 24 Q What became of that bill of</p>	<p>11:27:46 1 rephrase it?</p> <p>11:27:46 2 A Well, you know, again, it comes down</p> <p>11:27:48 3 to are we talking about all of our retailers or</p> <p>11:27:52 4 are we talking about two or five?</p> <p>11:27:56 5 Q What I'm really trying to ask is a</p> <p>11:27:59 6 business plan, the approach. What's the approach</p> <p>11:28:01 7 or the business plan of Adams Golf as of the time</p> <p>11:28:05 8 of the IPO? We are going to maximize sales and</p> <p>11:28:08 9 the way we are going to do it is by maintaining</p> <p>11:28:11 10 profitable margins for our retailers? Was that</p> <p>11:28:15 11 what the business plan was?</p> <p>11:28:18 12 A I believe that was part of it, sure.</p> <p>11:28:23 13 The industry is competitive, so if you can provide</p> <p>11:28:30 14 a margin equal to or greater than your competition</p> <p>11:28:35 15 that's going to help in selling your clubs.</p> <p>11:28:38 16 Q Okay.</p> <p>11:28:38 17 A All other things being equal</p> <p>11:28:40 18 Q Sure. And by the same token, if your</p> <p>11:28:46 19 retailers are going to make a lower margin selling</p> <p>11:28:49 20 an Adams club than, say, an Orlimar club, that</p> <p>11:28:54 21 presents at least an issue for Adams to consider;</p> <p>11:28:58 22 is that accurate?</p> <p>11:29:03 23 A Yes.</p> <p>11:29:03 24 Q Did Adams, from time to time,</p>

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<p>11:29:06 1 undertake any consideration of whether its</p> <p>11:29:14 2 authorized retailers were getting a better or less</p> <p>11:29:17 3 good margin selling Adams clubs, as opposed to</p> <p>11:29:22 4 some other company's clubs?</p> <p>11:29:29 5 A I don't think I had specific</p> <p>11:29:32 6 discussions about that, but that -- in general,</p> <p>11:29:35 7 that's -- that's one of the things that they do,</p> <p>11:29:39 8 is track what the competition is doing, sure.</p> <p>11:29:41 9 Q And how margins compare is a relevant</p> <p>11:29:46 10 consideration at the time of the IPO, true?</p> <p>11:29:57 11 A I'm not -- I'm not sure about that.</p> <p>11:29:59 12 Q Okay Let me -- let me rephrase</p> <p>11:29:59 13 that</p> <p>11:30:01 14 At the time of the IPO, with</p> <p>11:30:06 15 respect to whether Adams was going to be</p> <p>11:30:09 16 successful in maximizing sales, was it a relevant</p> <p>11:30:14 17 consideration for Adams whether retailers could</p> <p>11:30:20 18 enjoy as good a margin or a better margin selling</p> <p>11:30:24 19 Adams clubs as some other company's clubs?</p> <p>11:30:30 20 A I'd say yes, that would have been a</p> <p>11:30:34 21 consideration from -- in order -- in pricing them,</p> <p>11:30:38 22 sure.</p> <p>11:30:38 23 Q And -- and you agree, I gather, that</p> <p>11:30:44 24 gray marketing can, at least in some</p>	<p>11:32:46 1 time as to what was a -- you know, a reasonable</p> <p>11:32:52 2 price, capitalization, and so forth.</p> <p>11:32:57 3 Q Now, naturally, the -- the company</p> <p>11:33:01 4 wanted the price to be as high as practicable; is</p> <p>11:33:06 5 that accurate?</p> <p>11:33:09 6 A We didn't actually discuss that, but</p> <p>11:33:11 7 yes, I would think that's a given.</p> <p>11:33:13 8 Q And the selling shareholders felt the</p> <p>11:33:15 9 same way?</p> <p>11:33:19 10 A Yes, but probably less so.</p> <p>11:33:21 11 Q Why do you say that?</p> <p>11:33:23 12 A The goal here was -- was the IPO,</p> <p>11:33:31 13 we -- the new shares, and to bring working capital</p> <p>11:33:38 14 into the company. The purpose of this IPO was not</p> <p>11:33:41 15 for Royal or anybody else to sell their shares.</p> <p>11:33:47 16 Q Were there any risks that you were</p> <p>11:33:49 17 aware of at the time of setting the price too</p> <p>11:33:54 18 high?</p> <p>11:33:54 19 MS. REED: Objection, calls</p> <p>11:33:56 20 for speculation.</p> <p>11:33:57 21 Q (By Mr. Collins) I'm just asking you</p> <p>11:33:58 22 whether you were aware of any risks occurring.</p> <p>11:34:02 23 A Of setting too high? No.</p> <p>11:34:05 24 Q There was certainly the risk that</p>
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<p>11:30:45 1 circumstances, decrease those retail margins for</p> <p>11:30:52 2 Adams authorized retailers?</p> <p>11:30:54 3 MS. REED: Objection,</p> <p>11:30:55 4 misstates prior testimony, assumes facts not in</p> <p>11:30:55 5 evidence.</p> <p>11:30:59 6 Q (By Mr. Collins) You may answer.</p> <p>11:31:01 7 A Specific locations, I would agree</p> <p>11:31:04 8 that it may.</p> <p>11:31:11 9 Q Okay. Now, tell me about the pricing</p> <p>11:31:13 10 committee that you were a member of. What was it?</p> <p>11:31:15 11 A The pricing committee consisted of</p> <p>11:31:18 12 myself and Finis Conner and others, and we -- we</p> <p>11:31:27 13 were the part of the board that, I guess, at the</p> <p>11:31:34 14 end of the day recommended a -- a number of shares</p> <p>11:31:43 15 at a -- at an offering price with those costs and</p> <p>11:31:54 16 deductions from the underwriter to the board.</p> <p>11:31:58 17 Q How did you come into making that</p> <p>11:32:02 18 recommendation? What factors did you consider?</p> <p>11:32:08 19 A I think we looked at basically --</p> <p>11:32:13 20 well, we listened to advice from the bankers. We</p> <p>11:32:21 21 looked at the marketplace relative to other</p> <p>11:32:27 22 companies, Callaway, those that you could see, and</p> <p>11:32:37 23 the -- actually recommend -- recommendations from</p> <p>11:32:40 24 those familiar with the -- with the market at the</p>	<p>11:34:07 1 nobody would buy.</p> <p>11:34:08 2 A Certainly that's a risk, but other</p> <p>11:34:10 3 than that obvious risk, no.</p> <p>11:34:15 4 Q Okay. And the underwriters didn't</p> <p>11:34:16 5 tell you any risks apart from the possibility that</p> <p>11:34:19 6 the IPO might not sell out if the price was too</p> <p>11:34:22 7 high; is that accurate?</p> <p>11:34:26 8 A No, they never -- they never conveyed</p> <p>11:34:29 9 any risks to me.</p> <p>11:34:30 10 Q Anybody from the company or --</p> <p>11:34:32 11 A No.</p> <p>11:34:38 12 Q Okay. Now, the price went down after</p> <p>11:34:50 13 the IPO, fairly soon after the IPO. Do you recall</p> <p>11:34:55 14 that?</p> <p>11:34:59 15 A Yes.</p> <p>11:34:59 16 Q And Exhibit 78, if could you take a</p> <p>11:35:23 17 look at this, please, previously marked as 78.</p> <p>11:35:31 18 MR. COLLINS: Katherine.</p> <p>11:35:32 19 MS. WEALL: I've got one.</p> <p>11:35:36 20 Q (By Mr. Collins) You've seen this</p> <p>11:35:37 21 document before?</p> <p>11:35:38 22 A I'm sure I have. It was sent to me.</p> <p>11:35:46 23 Q Okay. Do you remember the conference</p> <p>11:35:47 24 call with Lehman Brothers that's described here?</p>

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<p>11:35:51 1 A In general, yes, I remember having -- 11:35:54 2 being on a conference call with them, yes. 11:35:57 3 Q And then when did you last see this 11:35:59 4 document, if I may, most recently? 11:36:06 5 A I'm not -- 11:36:08 6 Q You don't know if you looked at this 11:36:09 7 document in preparing for this deposition? You 11:36:12 8 just don't recall? 11:36:13 9 A No. 11:36:14 10 Q Okay. That's fine. Now, there are 11:36:17 11 factors mentioned. A general discussion was 11:36:20 12 held -- was had to determine what has affected the 11:36:23 13 price of the company's stock? 11:36:24 14 A Uh-huh. 11:36:24 15 Q The primary reasons by -- presented 11:36:27 16 by Brad Smith and Mark Paley concerned the 11:36:31 17 following, and then there are six items mentioned 11:36:34 18 on those two pages. Do you see those items? 11:36:37 19 A Uh-huh. Yes, sir. 11:36:39 20 Q Do you have any recollection at this 11:36:41 21 great distance in time with regard to Smith and 11:36:42 22 Paley's listing of factors that caused the stock 11:36:43 23 price to go down? 11:36:51 24 A Do I have --</p>	<p>11:38:14 1 purchasers, too, with their Coefficient of 11:38:25 2 Restitution issue, because I think they did that 11:38:27 3 in June, and it did cause some consternation in 11:38:34 4 the industry. 11:38:34 5 And for people that were going 11:38:35 6 to go buy clubs, they were never confident that 11:38:41 7 their clubs would always be considered conforming. 11:38:46 8 And I think, too, there was the memory of the 11:38:53 9 Ping/USGA episode, that I think kind of left 11:39:00 10 scars. 11:39:00 11 Q What was that episode, please? 11:39:02 12 A The USGA -- I don't recall the year. 11:39:06 13 I happened to own a set of the clubs that were 11:39:08 14 involved. The USGA called Ping to task and said: 11:39:13 15 We're not going to allow square grooves. 11:39:16 16 At the time, Ping was the 11:39:17 17 number one iron on the planet, I think, and it was 11:39:23 18 because even somebody like me could hit a Ping 11:39:27 19 iron and get the golf ball to stop on the green. 11:39:30 20 It was because of the square grooves and the size 11:39:33 21 of them and the structure, and it was technical 11:39:36 22 issues. 11:39:37 23 USGA said they weren't going 11:39:40 24 to allow that. Ping sued, and it was -- I wasn't</p>
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<p>11:36:51 1 Q I'm sorry. Do you remember the 11:36:53 2 discussion on this conference call? 11:36:57 3 A Not specifically, but in general 11:37:02 4 terms -- 11:37:02 5 Q Sure 11:37:02 6 A -- yes. 11:37:13 7 Q Do these bullet points, these six 11:37:13 8 bullet points encapsulate the points that were 11:37:13 9 raised by Smith or Paley or anybody else as to why 11:37:13 10 the price went down? 11:37:18 11 A I think it covers what we viewed as 11:37:21 12 the issues. 11:37:25 13 Q Okay. Did you as of July 28th, '98, 11:37:30 14 or at a point soon after the IPO, did you yourself 11:37:34 15 have any -- have your own views as to what had 11:37:39 16 caused the price to go down from the IPO price? 11:37:45 17 A Me, just myself? 11:37:46 18 Q Yes. 11:37:49 19 A Yeah. I -- I felt it was kind of 11:37:52 20 these issues, just the general state of the 11:37:59 21 business, the business, you know, Callaway, Taylor 11:38:03 22 Made, all of them, because this -- this is 11:38:05 23 actually a month after the USGA kind of struck 11:38:11 24 fear into the manufacturers, and I think</p>	<p>11:39:43 1 involved, but it was pretty ugly. The settlement 11:39:48 2 was Ping -- Ping agreed not to make those kind of 11:39:51 3 grooves anymore, and the USGA agreed that 11:39:54 4 everybody that had those kind of clubs could have 11:39:57 5 them forever. They would never be outlawed. 11:39:59 6 Q And that settlement was reached 11:40:01 7 before the IPO? 11:40:02 8 A Oh, yes, but it was -- it was -- I 11:40:07 9 think many viewed the USGA's stance on -- now on 11:40:12 10 drivers, or any -- any club that exceeded -- and 11:40:19 11 they had not -- I don't believe they had set what 11:40:21 12 the -- what the core was going to be this time, 11:40:25 13 but I think everybody viewed it as: Golly, here 11:40:29 14 it comes again. 11:40:30 15 And I'm thinking Callaway was 11:40:34 16 the most outspoken in that arena because Callaway 11:40:39 17 was considered an illegal driver. It was also 11:40:42 18 split in that the RNA, which governs the rest of 11:40:46 19 the planet, did not side with the USGA, and so 11:40:58 20 people could actually play with clubs in Ireland 11:41:01 21 and England that were considered illegal in the 11:41:05 22 United States. 11:41:05 23 Q So as I understand it, USGA actions 11:41:09 24 had an impact on the entire industry?</p>

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<p>11:41:11 1 A I -- I think in part, yeah.</p> <p>11:41:13 2 Q Maybe more Callaway than other</p> <p>11:41:20 3 companies?</p> <p>11:41:21 4 A Anybody who would have a big driver,</p> <p>11:41:22 5 a high-tech driver, it would have impacted.</p> <p>11:41:25 6 Different companies took different approaches. I</p> <p>11:41:29 7 can't believe any of them were happy. Callaway</p> <p>11:41:31 8 was more outspoken. We did not make -- at that</p> <p>11:41:34 9 time, we did not make a driver. We were</p> <p>11:41:40 10 developing one.</p> <p>11:41:41 11 Q Uh-huh. Now, I'm going to draw your</p> <p>11:41:50 12 attention to the fifth bullet point on the second</p> <p>11:41:58 13 page: Orlimar has continued to have success at</p> <p>11:42:01 14 the retail level and has been aggressive in</p> <p>11:42:04 15 providing incentives to retail sales personnel to</p> <p>11:42:08 16 promote their club.</p> <p>11:42:08 17 That was an accurate statement</p> <p>11:42:10 18 as to one of the factors in causing the price to</p> <p>11:42:12 19 go down at Adams? Is that your thought?</p> <p>11:42:18 20 A Yes, they were. Orlimar was very</p> <p>11:42:21 21 competitive</p> <p>11:42:21 22 Q And what's your understanding of this</p> <p>11:42:23 23 reference to Orlimar being aggressive in providing</p> <p>11:42:29 24 incentives to retail sales personnel, what were</p>	<p>11:43:57 1 Q Okay. Now, was Mr. Patchin on the</p> <p>11:44:17 2 pricing committee?</p> <p>11:44:18 3 A No, I don't believe so.</p> <p>11:44:19 4 Q Did you -- you consult, I'm sure,</p> <p>11:44:24 5 constantly with Mr. Patchin regarding Royal's</p> <p>11:44:29 6 business, correct?</p> <p>11:44:29 7 A As -- as necessary, sure.</p> <p>11:44:32 8 Q He is chairman of the board of Royal;</p> <p>11:44:34 9 is that correct?</p> <p>11:44:35 10 A Yes, he is.</p> <p>11:44:36 11 Q And you're chief financial officer?</p> <p>11:44:38 12 A Yes, I am.</p> <p>11:44:39 13 Q And each of you has held those</p> <p>11:44:41 14 positions since 1998?</p> <p>11:44:47 15 A Probably it's 1994. That's when --</p> <p>11:44:50 16 Q Okay.</p> <p>11:44:50 17 A That's when we reorganized Royal.</p> <p>11:44:59 18 Q Did you discuss with Mr. Patchin</p> <p>11:45:07 19 Adams Golf's business in 1998?</p> <p>11:45:08 20 A I'm sure I did. Sure.</p> <p>11:45:10 21 Q Did you have those discussions out --</p> <p>11:45:12 22 outside the context of an Adams Golf board</p> <p>11:45:23 23 meeting?</p> <p>11:45:23 24 A I'm sure we did.</p>
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<p>11:42:31 1 they doing?</p> <p>11:42:33 2 A I don't know if they were actually</p> <p>11:42:36 3 providing spiffs, which means something --</p> <p>11:42:41 4 basically the salesman gets \$10, \$20, \$50, gets</p> <p>11:42:45 5 something, the salesman gets it.</p> <p>11:42:48 6 Q Uh-huh. They were doing something</p> <p>11:42:55 7 like that, something to increase the amount of</p> <p>11:42:58 8 money that went into the salesperson's pocket?</p> <p>11:43:02 9 A Sure, yes.</p> <p>11:43:19 10 Q When the conference call was taking</p> <p>11:43:21 11 place that's described in this memo, was there any</p> <p>11:43:24 12 disagreement or dissent as to whether the six</p> <p>11:43:27 13 listed factors were the reason for the price</p> <p>11:43:37 14 decline?</p> <p>11:43:37 15 A I don't recall any.</p> <p>11:43:39 16 Q And then, apparently, this memo was</p> <p>11:43:41 17 sent to the board of directors. Is that your</p> <p>11:43:43 18 understanding?</p> <p>11:43:44 19 A Uh-huh. Yes.</p> <p>11:43:44 20 Q Did any member of the board of</p> <p>11:43:46 21 directors, to your understanding, express a</p> <p>11:43:49 22 contrary view to the issue of what caused the</p> <p>11:43:53 23 price to go down?</p> <p>11:43:54 24 A Not that I recall, no.</p>	<p>11:45:26 1 Q Did Mr. Patchin express to you any</p> <p>11:45:29 2 view soon after the IPO as to why the stock price</p> <p>11:45:32 3 was falling?</p> <p>11:45:38 4 A I don't recall specific discussion</p> <p>11:45:41 5 about that, other than beyond just the general</p> <p>11:45:49 6 things we knew about that were going on in the</p> <p>11:45:53 7 industry.</p> <p>11:45:53 8 Q Which you have described in your</p> <p>11:45:54 9 testimony?</p> <p>11:45:56 10 A Yes.</p> <p>11:46:01 11 Q Now, were you in touch yourself with</p> <p>11:46:04 12 the underwriters or any of the analysts who worked</p> <p>11:46:08 13 for the underwriting firms?</p> <p>11:46:11 14 A Me -- me personally?</p> <p>11:46:13 15 Q Yes.</p> <p>11:46:13 16 A One on one?</p> <p>11:46:14 17 Q Yes.</p> <p>11:46:18 18 A No.</p> <p>11:46:18 19 Q Was Mr. Patchin, to your knowledge?</p> <p>11:46:23 20 A Not to my knowledge.</p> <p>11:46:24 21 Q Did Mr. Patchin ever receive drafts</p> <p>11:46:27 22 of analyst reports, to your knowledge?</p> <p>11:46:30 23 A I have no idea.</p> <p>11:46:34 24 Q Did Mr. Patchin discuss with you --</p>

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<p>11:46:38 1 let me start again.</p> <p>11:46:40 2 To your knowledge, did Royal</p> <p>11:46:42 3 or anyone at Royal consider selling Adams Golf</p> <p>11:46:48 4 stock post IPO?</p> <p>11:46:52 5 A You mean selling shares out of what</p> <p>11:46:54 6 we currently hold now?</p> <p>11:46:56 7 Q Yes. Had there been any</p> <p>11:46:59 8 consideration since the IPO?</p> <p>11:47:05 9 A Nothing specific. We -- we're a</p> <p>11:47:11 10 business, so we -- we look at everything --</p> <p>11:47:13 11 Q Sure.</p> <p>11:47:14 12 A -- we do, and --</p> <p>11:47:17 13 Q Royal didn't consider selling at</p> <p>11:47:19 14 least some of its holdings in Adams Golf as the</p> <p>11:47:22 15 price declined after the IPO?</p> <p>11:47:25 16 A Oh, no.</p> <p>11:47:25 17 Q Do you know why not?</p> <p>11:47:32 18 A This may sound stupid, but it just</p> <p>11:47:34 19 never occurred to us --</p> <p>11:47:36 20 Q Okay.</p> <p>11:47:36 21 A -- that we would do that. We were a</p> <p>11:47:40 22 major -- I mean, we were a major shareholder, and</p> <p>11:47:45 23 you know, as I said, we -- we supported -- and we</p> <p>11:47:49 24 supported the IPO to build the company, and the</p>	<p>11:52:58 1 that, I presume?</p> <p>11:53:00 2 A I -- I think it would have till it</p> <p>11:53:03 3 was quantified, sure. The concept is -- is</p> <p>11:53:09 4 disconcerting.</p> <p>11:53:10 5 Q Sure.</p> <p>11:53:11 6 A Without specifics.</p> <p>11:53:13 7 Q Let me -- thank you.</p> <p>11:53:23 8 MR. COLLINS: Off the record</p> <p>11:53:23 9 for one second.</p> <p>11:53:23 10 (A recess was taken from</p> <p>12:01:47 11 11:53 to 12:01)</p> <p>12:01:48 12 MR. COLLINS: Let's go back on</p> <p>12:01:48 13 the record.</p> <p>12:01:49 14 Q (By Mr. Collins) And you will be</p> <p>12:01:50 15 pleased to know that I will not hound you as to</p> <p>12:01:53 16 what you said over this break, only because I know</p> <p>12:01:56 17 you didn't talk to your counsel over this break.</p> <p>12:01:58 18 Take a look at Exhibit 56, if</p> <p>12:02:00 19 you would</p> <p>12:02:03 20 MS WEALL: Before we get into</p> <p>12:02:05 21 that exhibit, I want to return to that question on</p> <p>12:02:07 22 speaking to counsel. I want to make it clear on</p> <p>12:02:12 23 the record that the underwriters do object to that</p> <p>12:02:14 24 line of questioning. We consider it clearly</p>
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<p>11:47:53 1 fact that we were able to sell some, that was nice</p> <p>11:47:56 2 for us, but we would have supported the IPO,</p> <p>11:47:58 3 whether we sold any shares or not.</p> <p>11:48:27 4 Q Exhibit 56, have you seen those two</p> <p>11:48:59 5 pages before? Of course, you're not copied on</p> <p>11:49:04 6 that. It's not addressed to you?</p> <p>11:49:06 7 A I don't think, but --</p> <p>11:49:08 8 Q Just take a moment to read it, if you</p> <p>11:49:12 9 would, please.</p> <p>11:49:14 10 A (Witness complies)</p> <p>11:52:07 11 Q Have you had a chance to read it?</p> <p>11:52:10 12 A (Witness nods)</p> <p>11:52:10 13 Q Have you seen those two pages before?</p> <p>11:52:13 14 A I don't believe so, but it's vintage</p> <p>11:52:21 15 Barney, so -- I mean, he's very -- he describes</p> <p>11:52:28 16 things, sick at his stomach, things like that.</p> <p>11:52:32 17 I've heard him talk that way before.</p> <p>11:52:34 18 Q Did he at any time in 1998 tell you</p> <p>11:52:37 19 he was concerned that the company had made a lot</p> <p>11:52:42 20 of sales that had been falsely reported as sales</p> <p>11:52:45 21 and were little more than consignments?</p> <p>11:52:49 22 A I don't recall that, no.</p> <p>11:52:51 23 Q Now, is it -- as a CPA and a CFO,</p> <p>11:52:55 24 that would have concerned you if he had told you</p>	<p>12:02:18 1 improper.</p> <p>12:02:18 2 To the extent that the witness</p> <p>12:02:21 3 answered in this instance, we don't consider it a</p> <p>12:02:24 4 waiver of the privilege in any way, nor do we</p> <p>12:02:27 5 consider that it should set precedent or will set</p> <p>12:02:30 6 a precedent for future depositions, especially in</p> <p>12:02:33 7 light of the fact that it's inconsistent with</p> <p>12:02:35 8 positions taken at prior depositions, so that's --</p> <p>12:02:38 9 MR. COLLINS: That's fine.</p> <p>12:02:39 10 And I agree. Nothing said at this deposition by</p> <p>12:02:43 11 the witness constituted a waiver.</p> <p>12:02:54 12 Q (By Mr. Collins) Have you seen this</p> <p>12:02:55 13 document before?</p> <p>12:03:04 14 A Yes.</p> <p>12:03:04 15 Q Did you see it in or about October</p> <p>12:03:07 16 1998?</p> <p>12:03:07 17 A I'm sure.</p> <p>12:03:08 18 Q And is this -- do you understand this</p> <p>12:03:10 19 to be a memo to you and other board members from</p> <p>12:03:13 20 Barney Adams?</p> <p>12:03:13 21 A Uh-huh. Yes.</p> <p>12:03:24 22 Q Did you respond to this memo? Did</p> <p>12:03:28 23 you talk to Barney Adams or communicate with him</p> <p>12:03:30 24 about this?</p>

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<p>12:03:32 1 A I'm sure eventually we did, sure.</p> <p>12:03:35 2 Q Probably at a board meeting?</p> <p>12:03:37 3 A Yes.</p> <p>12:03:42 4 Q Okay Now, in the second paragraph,</p> <p>12:03:47 5 it reads: Why is Q4 so weak? Terrible golf</p> <p>12:03:52 6 market, Costco, and to a lesser degree,</p> <p>12:03:56 7 competition.</p> <p>12:03:57 8 And the memo goes on. Do you</p> <p>12:03:59 9 see where I read from?</p> <p>12:04:00 10 A Uh-huh. Yes, sir.</p> <p>12:04:00 11 Q Do you have any reason to dispute</p> <p>12:04:02 12 that as of October 1998, one reason why the fourth</p> <p>12:04:08 13 quarter was weak was Costco?</p> <p>12:04:12 14 A I -- I didn't -- I didn't believe</p> <p>12:04:14 15 that that was significant, actually.</p> <p>12:04:19 16 Q Okay And did you tell anyone or</p> <p>12:04:23 17 communicate to anyone at any time your belief in</p> <p>12:04:25 18 that regard?</p> <p>12:04:26 19 A I don't know if I did or not.</p> <p>12:04:29 20 Q Did you believe that the terrible</p> <p>12:04:31 21 golf market was a factor for the fourth quarter</p> <p>12:04:37 22 being weak?</p> <p>12:04:37 23 A I believe that was part of it.</p> <p>12:04:39 24 Q And did you believe that to a lesser</p>	<p>12:05:50 1 right there.</p> <p>12:05:51 2 Q Okay.</p> <p>12:05:51 3 A Because by then, the -- you know,</p> <p>12:05:55 4 the -- the Tight Lies concept, the thin-faced,</p> <p>12:06:01 5 shallow-faced fairway wood, was obviously here to</p> <p>12:06:07 6 stay, and so others were busy making theirs.</p> <p>12:06:16 7 Orlimar was first out of the</p> <p>12:06:18 8 box, but Callaway, Taylor Made, Titleist, those</p> <p>12:06:23 9 guys were all there, and I'm not sure exactly when</p> <p>12:06:26 10 they introduced their products, but they wouldn't</p> <p>12:06:29 11 have -- it would have been -- I mean, this -- the</p> <p>12:06:33 12 Tight Lies was two years old at this point,</p> <p>12:06:43 13 approximately.</p> <p>12:06:43 14 Q Did anybody express to you on the</p> <p>12:06:48 15 board, in management that they agreed with you,</p> <p>12:06:55 16 that Costco was not a major component of the</p> <p>12:06:59 17 weakness for the fourth quarter?</p> <p>12:07:04 18 A Anyone on the board?</p> <p>12:07:05 19 Q Anyone on the board, sure.</p> <p>12:07:09 20 A Anyone? I would think Steve agreed</p> <p>12:07:18 21 that it -- because again, the clubs were sold.</p> <p>12:07:25 22 The club Costco was selling, Adams had sold and</p> <p>12:07:32 23 gotten paid for.</p> <p>12:07:33 24 Q Sure.</p>
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<p>12:04:41 1 extent, competition was a factor of the fourth</p> <p>12:04:45 2 quarter being weak?</p> <p>12:04:46 3 A I think competition was a big part of</p> <p>12:04:48 4 it as well.</p> <p>12:04:48 5 Q And what other factors did you</p> <p>12:04:51 6 believe in October were causing the fourth quarter</p> <p>12:04:54 7 to be weak, apart from those two factors?</p> <p>12:04:57 8 A I think it's -- it's -- I believe it</p> <p>12:05:02 9 is weak relative to the forecast.</p> <p>12:05:04 10 Q Okay.</p> <p>12:05:04 11 A And so this -- this is trying to</p> <p>12:05:09 12 explain why the actual Q4 is going to be weak</p> <p>12:05:17 13 relative to the forecast.</p> <p>12:05:19 14 Q Okay.</p> <p>12:05:19 15 A And I think all these things were</p> <p>12:05:24 16 going on. And so if you're going to miss your</p> <p>12:05:27 17 number, you missed everything that may have had</p> <p>12:05:34 18 any impact on missing your number</p> <p>12:05:36 19 Q In your last answer, when you said</p> <p>12:05:38 20 all these things were going on, did you mean</p> <p>12:05:41 21 terrible golf market, Costco, and to a lesser</p> <p>12:05:44 22 degree, competition?</p> <p>12:05:45 23 A But I wouldn't say to a lesser</p> <p>12:05:47 24 degree. I would say that the competition was</p>	<p>12:07:33 1 A The -- the issue here was, I would</p> <p>12:07:39 2 think, was going to become market share, and as</p> <p>12:07:43 3 more people -- I'm not even sure that there was a</p> <p>12:07:46 4 fairway wood category at this time in terms of</p> <p>12:07:52 5 keeping track of who sells what There's</p> <p>12:07:58 6 companies out there that do that, Datatech, and</p> <p>12:08:02 7 those guys, and I think there was just a woods</p> <p>12:08:05 8 category, actually.</p> <p>12:08:07 9 Q So what's the significance of that?</p> <p>12:08:09 10 A Well, that there -- when you look</p> <p>12:08:11 11 at -- when you look at what's going on, that</p> <p>12:08:15 12 the -- the category of fairway wood just as right</p> <p>12:08:21 13 now, the category of i-Wood is -- is just coming</p> <p>12:08:28 14 into its own, that, you know, prior to -- prior to</p> <p>12:08:33 15 this period of time, fairway woods weren't</p> <p>12:08:37 16 considered to be such a big deal. They were just</p> <p>12:08:40 17 woods. Everything was woods.</p> <p>12:08:41 18 And now there were -- you</p> <p>12:08:44 19 know, Callaway had one, Taylor Made had one, we</p> <p>12:08:48 20 had one, Orlimar had one, and so they became a</p> <p>12:08:57 21 separate -- a separate item to keep track of.</p> <p>12:09:05 22 And that's how we actually got</p> <p>12:09:05 23 better able to keep track of our market share, is</p> <p>12:09:05 24 because fairway woods were -- were singled out.</p>

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CONNER

FINIS F. CONNER

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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

* * *

IN RE ADAMS GOLF, INC. : CONSOLIDATED
:
SECURITIES LITIGATION : C.A. No. 99-371 KAJ

DEPOSITION OF FINIS F. CONNER

The following deposition was given on the 9th
day of May, 2006, commencing at the hour of 9:24 a.m.,
before Anne M. Hall, a Certified Shorthand Reporter,
License Number 4942.

The witness personally appeared at The
Monterey Marriott, 350 Calle Principal, Santa Barbara
Conference Room, Monterey, California.

* * *

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<p>1 A. Probably in the time frame of 2001 and closed 2 in 2005.</p> <p>3 Q. Okay. And did you have a title at that 4 company?</p> <p>5 A. Chairman and CEO.</p> <p>6 Q. Mr. Conner, are you presently a member of the 7 board of Adams Golf?</p> <p>8 A. No.</p> <p>9 Q. Can you tell me what years you were a board 10 member there?</p> <p>11 A. October of 1996 and I resigned in February of 12 '99.</p> <p>13 Q. Have you been a -- other than the companies 14 that are listed here in which you were an officer, have 15 you been a board member of any other companies besides 16 Adams Golf?</p> <p>17 A. No.</p> <p>18 Q. Okay. How did you first become involved with 19 Adams Golf, do you recall?</p> <p>20 A. I was introduced to Adams by Mr. Roland 21 Casati.</p> <p>22 Q. Mr. Casati, what is his position with Adams 23 Golf or his relationship to Adams Golf at the time he 24 introduced you to the company?</p>	<p>1 correct?</p> <p>2 A. Correct.</p> <p>3 Q. Okay. And so, eventually, you became a member 4 of the board as a result of that conversation. Did you 5 also invest in the company at that time?</p> <p>6 A. I did not become a member of the board as a 7 result of that conversation, but as a result of making a 8 subsequent investment.</p> <p>9 Q. Okay. Do you recall when that was when you 10 made your investment?</p> <p>11 A. No.</p> <p>12 Q. Other than the things that you've told me, 13 were there any other conversations or steps involved to 14 your becoming a board member?</p> <p>15 A. Not to my recollection.</p> <p>16 Q. Okay. While you were on the Adams Golf board, 17 did you serve on any committees, board committees?</p> <p>18 A. I don't recall.</p> <p>19 Q. Did you serve on a committee called the 20 pricing committee at one time?</p> <p>21 A. Yes.</p> <p>22 Q. What were the responsibilities of that 23 committee?</p> <p>24 A. It was to participate in discussions with the</p>
Page 11	Page 13
<p>1 A. I don't know.</p> <p>2 Q. When you say introduced you to the company, 3 can you describe for me what you mean by that?</p> <p>4 A. He had invested some money and suggested that 5 I consider it as an investment.</p> <p>6 Q. And did you invest in the company at that 7 time?</p> <p>8 A. I don't know what time it was, but I did 9 invest in the company, yes.</p> <p>10 Q. I'm sorry. That was going to be my next 11 question. Do you remember when this was?</p> <p>12 A. Not particularly. I don't recall the exact 13 date.</p> <p>14 Q. Sometime before October 1996, though?</p> <p>15 A. Obviously.</p> <p>16 Q. Okay. Do you remember how you proceeded from 17 that initial conversation or introduction to the company 18 to becoming a board member of the company?</p> <p>19 A. I discussed the possible investment with 20 Mr. Adams, and one of the requirements would be for my 21 participation at the board level.</p> <p>22 Q. And so am I understanding you correctly that 23 in order -- one of your requirements for investing was 24 that you also become a member of the board, is that</p>	<p>1 underwriters in establishing pricing for the stock, if 2 in fact we were to go forward with a public offering.</p> <p>3 Q. I'm sorry. Let me back up a little bit. 4 Do you remember what your initial investment 5 in the company was?</p> <p>6 A. I believe it was a million dollars.</p> <p>7 Q. Okay. Do you remember what percentage of 8 ownership you had in the company at that time?</p> <p>9 A. No.</p> <p>10 Q. You remember the pricing committee. Do you 11 recall whether there were any other committees that you 12 served on on the Adams Golf board while you were a 13 member?</p> <p>14 A. I don't recall.</p> <p>15 Q. Now, I'm going to ask you some questions about 16 the exhibit, the prospectus that I put in front of you, 17 so if you can take a moment to review it.</p> <p>18 My questions are going to be fairly general, 19 except I'll tell you that I will ask you some questions 20 about the risk section of that, which I believe is on 21 page six.</p> <p>22 A. What page?</p> <p>23 Q. The risk factors on page six. The other 24 questions I'm going to ask you are just general.</p>

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<p>1 But I do want to give you time to look at it 2 and once you've had a chance to do that, let me know and 3 I'll ask you whether you recognize the document. 4 A. Okay. 5 Q. Do you recognize that document? 6 A. Yes. 7 Q. Can you tell us what it is for the record? 8 A. It is a copy of the terms put into the 9 prospectus of -- in an effort of marketing the stock. 10 Q. The Adams Golf stock? 11 A. Right. 12 Q. And do you remember reviewing that document 13 prior to its issuance? 14 A. I remembered that I reviewed it. I don't 15 remember when. 16 (Deposition Exhibit Number 73 marked 17 for identification.) 18 BY MS. DESPER: 19 Q. Okay. I'm also going to hand you what's been 20 marked as Exhibit Number 73, and I would like you to 21 take a look at that and let me know if you can identify 22 it. 23 The questions that I would ask you on this 24 document really are going to just be related to page</p>	<p>1 A. Yes. 2 Q. Okay. Now, with respect to both the 3 registration statement and the prospectus, did you 4 review those prior to their submission to the SEC? 5 A. Yes. 6 Q. Did you believe that they were accurate when 7 they were submitted? 8 A. Yes. 9 Q. Did you, yourself, perform any steps, and I'm 10 asking for you personally, did you personally perform 11 any steps to assure yourself that they were accurate? 12 A. Yes. 13 Q. Can you tell me what you did? 14 A. There were discussions with management on the 15 contents and review of the market and different 16 information contained in this and reviewed by 17 management. 18 There was additional discussions with members 19 of the board in comparing our thoughts and in trying to 20 get a complete and accurate understanding of what was 21 contained in that. So yes, those are the types of 22 discussions that I had and would normally have in these 23 kind of operations. 24 Q. When you say management, are there specific</p>
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<p>1 three, which is the signature page. 2 But take your time to review the whole 3 document. 4 A. Okay. 5 Q. All right. Do you recognize this document and 6 can you identify it for the record, please? 7 A. It's identified as a Securities and Exchange 8 Commission form S-1 for Adams Golf. 9 Q. Okay. Other than just reviewing it since 10 we've been sitting here today, do you remember seeing 11 that document before? 12 A. I don't recall. 13 Q. Could you turn to page three of the document? 14 In the middle of that page towards the bottom 15 there is an electronic signature page with your name on 16 it. 17 Do you recall signing or authorizing your name 18 to be signed on a registration, this registration form 19 or one substantially similar to it that was filed with 20 the SEC? 21 A. Yes. 22 Q. Did you review the registration statement that 23 was filed with the SEC before it was submitted to the 24 SEC?</p>	<p>1 individuals that to whom -- that you're referring to? 2 A. Particularly, Barney Adams and -- particularly 3 Barney Adams. 4 Q. And when you refer to members of the board, 5 were there particular members of the board with whom you 6 discussed this? 7 A. I would -- I don't recall the particular 8 meetings. 9 Q. Do you recall whether it was all of the board 10 members or just some of the board members? 11 A. Well, all the board members had discussions in 12 the forum of a board meeting. 13 Q. Okay. And other than the discussions that 14 you've just described to me, were there any other steps 15 that you personally conducted to assure the accuracy of 16 these documents? 17 A. I don't recall. 18 Q. Okay. Were there any -- when you had 19 conversations with Barney Adams, would you say that you 20 were relying on his -- on information that he provided 21 you in determining that these documents were accurate? 22 A. Yes. 23 Q. Were there any others besides Barney Adams, 24 and let's start with inside the company, who provided</p>

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<p>1 information to you on which you relied in determining 2 that these documents were accurate? 3 A. From time to time, the financial officer of 4 the company, as well as -- you're saying inside the 5 company? Yeah. 6 Q. Okay. And then the same question outside the 7 company, were there any individuals outside of the 8 company upon whom you relied to determine that these 9 documents were accurate? 10 A. Yes. 11 Q. And who were they? 12 A. Analysts in the industry that had information 13 about competitors, suppliers, such as Calloway, also the 14 underwriters in talking with them about the opportunity 15 here and getting their inputs as well. 16 Q. Do you remember which analysts you -- let me 17 back up. Did you speak to the analysts directly or did 18 you read things that they had prepared? 19 A. I don't recall. 20 Q. Okay. Do you remember which analysts you 21 relied upon? 22 A. No. 23 Q. With respect to underwriters, did you speak 24 directly with underwriters in conjunction with the</p>	<p>1 MR. BESSETTE: I think it was Nationsbanc 2 Montgomery Securities. 3 BY MS. DESPER: 4 Q. Nationsbanc? 5 A. Right. 6 Q. Do you remember any of the individuals at 7 Nationsbanc with whom you spoke? 8 A. No. 9 Q. Other than those we've already named, were 10 there any other individuals or companies that you recall 11 speaking to about the -- about these documents before 12 they were filed? 13 A. No. 14 Q. Okay. Were there any other steps that I 15 haven't asked you about that you recall performing and 16 prior -- to assure that these documents were accurate 17 before they were filed? 18 MR. BESSETTE: I'm sorry. Any additional 19 steps? 20 BY MS. DESPER: 21 Q. Any additional steps that we haven't already 22 discussed? 23 A. I don't recall. 24 Q. Okay. Now, let's turn to the page 6 of</p>
Page 19	Page 21
<p>1 preparation of these documents? 2 A. Well, as a member of the pricing committee, 3 yes, we certainly had communications with the bankers 4 Q. Okay. Do you remember which bankers you spoke 5 with at which companies? 6 A. Do you mean individuals? 7 Q. I was going to try to ask you the easy 8 question first, so -- 9 MR. BESSETTE: Which of the banks. 10 BY MS. DESPER: 11 Q. Which banks did you speak with? 12 A. Both, two lead banks that were providing this 13 funding 14 Q. Do you recall their names? 15 A. I believe they're listed on the front of the 16 prospectus here. Yes. It was National Bank Montgomery 17 and Lehman Brothers. 18 Q. Okay. Any others that you recall? 19 A. Not to my recollection. 20 Q. Now, do you remember the names of any 21 individuals at Lehman Brothers with whom you spoke? 22 A. I don't recall. 23 Q. And then -- I'm going to get the name wrong 24 With the other underwriter, was it National --</p>	<p>1 Exhibit 72, which is the page that contains the risk 2 factors. 3 Do you recall reviewing this particular 4 section of the prospectus before it was issued? 5 A. No. 6 Q. Do you remember having any discussion 7 regarding what would or would not be included in this 8 section before it was filed with the SEC? 9 A. No. 10 MR. BESSETTE: I'm sorry. Can I have that 11 last question and answer read back? 12 (Record read as requested.) 13 MR. BESSETTE: You know what she's talking 14 about, the risk factors? 15 THE WITNESS: Maybe I'm missing something. 16 Repeat it for me, please. 17 MS. DESPER: Would you read it back, please? 18 (Record read as requested.) 19 BY MS. DESPER: 20 Q. Your answer can be your answer. 21 A. That's still my answer. 22 Q. Okay. That's your answer. 23 Okay. Do you recall one way or the -- sorry. 24 Let me just clarify, when you say you don't recall, do</p>

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<p>1 you know for a fact whether you were involved in 2 discussions about this or not or you just don't remember 3 either way? 4 A. I believe what you asked me, did I participate 5 in preparing this, that's what I understood you to say. 6 Q. Okay. 7 MR. BESSETTE: See, I think -- 8 BY MS. DESPER: 9 Q. Let me ask a slightly different question, 10 because you are being very precise. You're doing a good 11 job of answering the question I ask. 12 Did you participate in any discussion about 13 what risk factors would be included in the prospectus? 14 A. I don't recall. 15 Q. Okay. Do you know whether anyone at the 16 company considered including gray marketing as a risk 17 factor in this prospectus? 18 A. No. 19 Q. Did anyone ever discuss with you what risk 20 factors should or should not be included in this 21 prospectus? 22 A. No. 23 Q. Okay. Do you recall how much time was spent 24 on preparing the IPO documents?</p>	<p>1 there specific IPOs that you're referring to during 2 which you had experience with these two companies? 3 A. Yes. 4 Q. Can you tell me what they are? 5 A. Conner Peripheral predominantly. Excuse me. 6 Q. Okay. 7 MR. BESSETTE: Do you need some -- 8 THE WITNESS: Another cup of coffee. 9 MS. DESPER: I'm going to mark this as 10 Exhibit 74. This is one of the underwriter documents. 11 And the questions I have are only from the first part. 12 But what I thought I would do, because of the 13 way we're handling exhibits, is mark the entire thing in 14 case it's going to be used in another deposition. 15 So can you mark that please? 16 (Deposition Exhibit Number 74 marked 17 for identification.) 18 BY MS. DESPER: 19 Q. Okay. Mr. Conner, I'm going to hand you 20 what's been marked as Exhibit 74. It's a fairly long 21 exhibit. But the only questions that I want to ask you 22 are on the page that's been marked with Bates number 23 UND06028, which is titled the Lehman Brothers 24 relationship.</p>
Page 23	Page 25
<p>1 A. No. 2 Q. Do you recall how much time -- let me try to 3 ask you a question I think you'll know. 4 Do you remember how much time elapsed from the 5 point at which you first heard about the IPO and the 6 time that the issuance actually occurred? 7 A. No. 8 Q. Okay. Have you been involved in other IPOs 9 besides this particular one? 10 A. Yes. 11 Q. In comparison to the others with which you 12 have experience, was the process here as you recall 13 longer or shorter than those others? 14 A. I don't recall. 15 Q. Okay. Did you play any role in selecting the 16 underwriters for this Adams Golf IPO? 17 A. Other than providing my input to the board and 18 to Barney Adams, my experience with these bankers. 19 Q. Can you explain what you mean by that? 20 A. I have had previous experience with both 21 Lehman and Montgomery in previous IPO situations. And 22 my recommendation to the board and to management that 23 they were the top tier people to participate. 24 Q. Okay. And when you talk about prior IPOs, are</p>	<p>1 It's right in the front. 2 A. Okay. 3 Q. It's page three of the first document. 4 A. I have it. 5 Q. Okay. And can you just read through that 6 paragraph and then tell me when you've finished? 7 A. Which paragraph? 8 Q. The paragraph that's marked C, Lehman 9 Brothers' relationship 10 A. Yes. 11 Q. Okay. I'll just state for the record that 12 this is a document that's titled confidential, Lehman 13 Brothers memorandum. And it is Bates number UND06024 14 through 06044. 15 Mr. Conner, this paragraph has a description 16 from Lehman Brothers. Do you think that this is an 17 accurate description of the manner in which Lehman 18 Brothers was introduced to Adams Golf and your 19 involvement in that? 20 A. Yes. 21 Q. Was there anything else? Does this refresh 22 your recollection at all about how that occurred? Or -- 23 A. Yes. 24 Q. Okay. You're hesitating I think because</p>

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<p>1 you're thinking it doesn't refresh your recollection, 2 but it's consistent with what you already remembered, is 3 that right? 4 A. Correct. 5 Q. Okay. Was there anything else that you 6 haven't told me about in relation to how Adams Golf and 7 Lehman Brothers were introduced that you can remember 8 now? 9 A. No. 10 MS. DESPER: Okay. Let me get my next exhibit 11 out. Mark this as 75. 12 (Deposition Exhibit 75 marked for 13 identification.) 14 BY MS. DESPER: 15 Q. Mr. Conner, I'm going to hand you what's been 16 marked as Exhibit 75 and give you a minute to review it 17 and let me know when you're through. 18 A. Okay. 19 Q. All right. Do you recognize this document? 20 A. I don't recall. 21 Q. Do you know whether you've seen it before? 22 A. I don't recall. 23 Q. Okay. Can you identify it for the record? 24 A. It's entitled Adams Golf, Incorporated,</p>	<p>1 to me the minutes are a little confusing because the 2 first sentence says it was a telephonic meeting, then BH 3 Adams, Paul Brown and Finis Conner. 4 Does that to your recollection, when it says 5 present in person, it means in person by telephone, is 6 that correct? 7 A. That would be my conclusion, yes. 8 Q. Okay. Can you describe to me what the role of 9 the pricing committee was with respect to the IPO? 10 A. It was primarily to interact with the bankers 11 and discuss the market conditions that would be 12 receiving the stock, and to recommend and jointly 13 negotiate with the bankers the price that we would 14 recommend to the board of directors. 15 Q. Okay. And you can feel free to use the 16 minutes to refresh your recollection. Can you tell me 17 what happened at this particular meeting? 18 A. I believe that the meeting as described here 19 was to determine the size of the offering and that is 20 the number of shares and also the recommended price that 21 would be placed on the stock to go to market. 22 Q. What do you recall about how the price was 23 determined? 24 A. I don't recall.</p>
Page 27	Page 29
<p>1 minutes of the pricing committee, dated as of July 9th, 2 1998. 3 Q. And this is the pricing committee that you 4 described earlier that you were a member of? 5 A. Correct. 6 Q. Do you remember attending a telephonic meeting 7 of the pricing committee on or about July 9, 1998? 8 A. I have a question. 9 Q. Sure. 10 A. I don't recall the date, but I recall the 11 meeting. 12 MR. BESSETTE: That's fine. 13 BY MS. DESPER: 14 Q. That's fine. Was there more than one meeting 15 of the pricing committee as you recall? 16 A. I don't recall. 17 Q. Okay. But you remember at least one meeting? 18 A. Yes. 19 Q. Okay. Do you remember whether you were 20 present by telephone or whether you were present in 21 person at that meeting? 22 A. This document reflects being present by 23 telephone, which I would recall as being accurate. 24 Q. Okay. And the reason I wanted to clarify is</p>	<p>1 Q. Do you remember whether there was any 2 difference of opinion or any discussion about what the 3 price should be? 4 A. No. 5 Q. By that, do you -- is it your recollection 6 that there was no difference of opinion or you just 7 don't recall one way or the other? 8 A. I don't recall one way or the other. 9 Q. Okay. Do you know why a price of \$16 per 10 share was selected? 11 A. No. I don't recall. 12 Q. Do you recall any discussion about the size of 13 the offering? 14 A. I don't recall. 15 Q. Do you know whether there was any difference 16 of opinion or discussion on what the size of the 17 offering should be? 18 A. I don't recall. 19 Q. Okay. Is there anything that you remember 20 about the pricing committee discussion or decision other 21 than what's reflected in these minutes? 22 A. No. 23 Q. Okay. Do you believe after reading them that 24 these minutes accurately reflect what took place at the</p>

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<p>1 meeting?</p> <p>2 A Yes.</p> <p>3 Q Is there anything that happened that you</p> <p>4 recall that's not in the minutes?</p> <p>5 A I don't understand the question.</p> <p>6 Q Okay Other than what -- you said that the</p> <p>7 minutes accurately reflect the meeting. I'm just</p> <p>8 wondering if you remember anything that's not reflected</p> <p>9 in the minutes that happened at the meeting?</p> <p>10 A No.</p> <p>11 Q Okay.</p> <p>12 MR. BESSETTE: Let's take a quick break. Just</p> <p>13 a quick one.</p> <p>14 MS. DESPER: Sure.</p> <p>15 (Recess taken from 10:06 a.m. to</p> <p>16 10:10 a.m.)</p> <p>17 (Deposition Exhibit Number 76 marked</p> <p>18 for identification.)</p> <p>19 BY MS. DESPER:</p> <p>20 Q I'm going to hand you what's been marked as</p> <p>21 exhibit number 76.</p> <p>22 A Before we do this, can I go back on something?</p> <p>23 Because I'm afraid that I didn't either hear correctly</p> <p>24 one of your discussions in talking about the risk</p>	<p>1 Q Okay. What -- now that you've clarified, what</p> <p>2 is it that you do recall about those discussions? With</p> <p>3 whom did you discuss it and what factors did you</p> <p>4 discuss?</p> <p>5 A I can only speak for myself as to how I manage</p> <p>6 this or reviewed this. Risk factors to me are extremely</p> <p>7 important.</p> <p>8 And the benefit of having leading bankers who</p> <p>9 have done multiple public offerings, they have been</p> <p>10 through this many, many times before.</p> <p>11 My own personal experience in at least two</p> <p>12 public offerings, a lot of time was spent on discussing</p> <p>13 risk factors and are we disclosing fully.</p> <p>14 So when I reviewed them personally, I found</p> <p>15 them to be more than adequate to describe to the best of</p> <p>16 my knowledge what represents the company at the time of</p> <p>17 an IPO. Okay?</p> <p>18 And so, these factors more than cover what I</p> <p>19 thought was needed to disclose to the potential buyer.</p> <p>20 Q Based on the information that you had at that</p> <p>21 time?</p> <p>22 A Correct.</p> <p>23 Q Okay. You mentioned just now meeting some of</p> <p>24 the team. To whom were you referring when you said</p>
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<p>1 factors.</p> <p>2 Q Sure.</p> <p>3 A I want to clarify a point, what I was trying</p> <p>4 to institute.</p> <p>5 I did not participate in the creation of these</p> <p>6 risk factors, but clearly I reviewed those.</p> <p>7 Q Right.</p> <p>8 A And my background of doing at least two prior</p> <p>9 public offerings, that's a very important part for me as</p> <p>10 an officer and as a participant.</p> <p>11 Q Right.</p> <p>12 A So the creation of these, I didn't sit down</p> <p>13 and say put that in and put this in.</p> <p>14 We reviewed them as a team and I did</p> <p>15 personally as an individual and contributed, and</p> <p>16 particularly on being on the pricing committee, I wanted</p> <p>17 to make sure that we had sufficient enough information</p> <p>18 on here to make sure everything that we knew about the</p> <p>19 company at that point in time had to be in here and</p> <p>20 covered by these factors.</p> <p>21 And when you brought up this issue of the gray</p> <p>22 market, that was never an issue discussed at this point</p> <p>23 in time when this was being created about the gray</p> <p>24 markets.</p>	<p>1 that?</p> <p>2 A All board members.</p> <p>3 Q Okay. Were there any other -- any others</p> <p>4 besides the board members who were involved in those</p> <p>5 discussions with you when you were reviewing these risk</p> <p>6 factors that were so important?</p> <p>7 A No.</p> <p>8 Q Okay. Was there any discussion with you or</p> <p>9 that you're aware of about whether to include gray</p> <p>10 market in -- as part of these risk factors?</p> <p>11 MR. BESSETTE: At what time? I'm sorry.</p> <p>12 BY MS. DESPER:</p> <p>13 Q At any time before this document was issued.</p> <p>14 A There is no discussion of that because it was</p> <p>15 not an issue to us at that time as far as we were</p> <p>16 concerned.</p> <p>17 Q Okay. But what I'm trying to clarify is was</p> <p>18 there a discussion about it and then a decision was made</p> <p>19 to leave it out or there was no discussion about it at</p> <p>20 all?</p> <p>21 A I don't recall.</p> <p>22 Q Okay. Did you have any discussion with anyone</p> <p>23 at that time about any comments from the SEC about</p> <p>24 whether risk factors -- whether gray marketing should be</p>

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<p>1 disclosed as a risk factor?</p> <p>2 A. No.</p> <p>3 Q. And were you aware to your knowledge, so far</p> <p>4 as you knew, had any discussions like that taken place?</p> <p>5 MR. BESSETTE: I'm sorry. Between who?</p> <p>6 BY MS. DESPER:</p> <p>7 Q. Sorry. I asked you just now whether you</p> <p>8 participated in any discussions about risk -- about gray</p> <p>9 marketing being a risk factor or whether you</p> <p>10 participated in any discussions with the SEC.</p> <p>11 And I just also want to make sure that I</p> <p>12 understand whether you are aware of whether such</p> <p>13 discussions took place with anyone at the company before</p> <p>14 this was issued?</p> <p>15 A. Between whom?</p> <p>16 Q. Between the SEC and anyone at the company</p> <p>17 about whether gray marketing should be disclosed as a</p> <p>18 risk factor before this document was issued?</p> <p>19 A. To the best of my knowledge, it was not</p> <p>20 discussed because it was never an issue.</p> <p>21 Q. Okay. And what about at any time after this</p> <p>22 document was issued before the offering actually took</p> <p>23 place?</p> <p>24 A. Discussions with whom?</p>	<p>1 inside the company or between individuals at the company</p> <p>2 and the board or the underwriters or anyone else</p> <p>3 participating in the IPO before it was issued about</p> <p>4 whether gray marketing should be disclosed as a risk</p> <p>5 factor?</p> <p>6 A. Gray market, the gray marketing statement --</p> <p>7 well, let me see. Gray marketing was never considered</p> <p>8 an issue of any, from a business standpoint, that needed</p> <p>9 to be disclosed because it wasn't significant at all.</p> <p>10 The only thing that I recall was the public</p> <p>11 disclosure that we had filed an action against Costco to</p> <p>12 stop it.</p> <p>13 Q. Okay. So, what I'm trying to confirm, though,</p> <p>14 and I'm sure it's clear in your mind, it's just not</p> <p>15 clear in mine, whether there was discussion about it and</p> <p>16 a decision was made that it was not important or whether</p> <p>17 to your knowledge the issue never even came up?</p> <p>18 A. I just don't recall.</p> <p>19 Q. Okay. I'm looking for the -- I'm going to</p> <p>20 skip in time because I had one document marked since you</p> <p>21 brought it up, I thought I'd mark a different document.</p> <p>22 (Deposition Exhibit Number 77 marked</p> <p>23 for identification.)</p> <p>24 BY MS. DESPER:</p>
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<p>1 Q. Discussions -- I'll break it down a little</p> <p>2 bit. But first, discussions between the SEC and anyone</p> <p>3 at the company about whether gray market should be</p> <p>4 disclosed as a risk factor?</p> <p>5 MR. BESSETTE: I'm sorry. I thought you said</p> <p>6 after the IPO. Was I --</p> <p>7 BY MS. DESPER:</p> <p>8 Q. I'm sorry. I asked you about before this</p> <p>9 document was issued, this prospectus was -- sorry.</p> <p>10 We're on the registration statement. This was filed in</p> <p>11 July. And I'm sorry. I'm confused myself. I asked a</p> <p>12 bad question. So never mind.</p> <p>13 Let me just start over.</p> <p>14 MR. BESSETTE: Sure.</p> <p>15 BY MS. DESPER:</p> <p>16 Q. I just want to confirm, so I'm not meaning to</p> <p>17 repeat myself, I just want to make sure that I</p> <p>18 understood you.</p> <p>19 Were you aware of any discussions between the</p> <p>20 SEC and anyone at the company about whether gray</p> <p>21 marketing should be disclosed as a risk factor at any</p> <p>22 time before the public offering?</p> <p>23 A. No.</p> <p>24 Q. Okay. Were you aware of any discussions</p>	<p>1 Q. I'm going to hand you what's been marked</p> <p>2 Exhibit Number 77. Can you take a look at that and let</p> <p>3 me know when you've finished reviewing it?</p> <p>4 A. Okay.</p> <p>5 Q. Is this -- can you identify that for the</p> <p>6 record?</p> <p>7 A. It's a press release by Adams entitled Adams</p> <p>8 takes legal action against Costco, June 9, 1998.</p> <p>9 Q. Is this the action you were referring to a</p> <p>10 moment ago?</p> <p>11 A. Yes.</p> <p>12 Q. And did you know about this at the time the</p> <p>13 press release was issued in June?</p> <p>14 A. I just -- I don't recall.</p> <p>15 Q. Okay. Do you remember whether you were aware</p> <p>16 of this action prior to the issuance of the stock in the</p> <p>17 IPO?</p> <p>18 A. Yes.</p> <p>19 Q. Yes, you were aware or yes --</p> <p>20 A. Yes, I saw the press release and it was before</p> <p>21 the issuance of the stock.</p> <p>22 MS. DESPER: I have to remember what</p> <p>23 document --</p> <p>24 MR. BESSETTE: 76 was the minutes. Is that</p>

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<p style="text-align: right;">Page 38</p> <p>1 what you want?</p> <p>2 BY MS. DESPER:</p> <p>3 Q. Yes. Now I'm going to hand you or ask Paul to</p> <p>4 hand you what's been marked as Exhibit 76 and ask you to</p> <p>5 take a look at it and let me know when you're finished</p> <p>6 reviewing it.</p> <p>7 A. Okay.</p> <p>8 Q. Okay. Can you identify this document for the</p> <p>9 record?</p> <p>10 A. It's titled, Minutes of the Regular Meeting of</p> <p>11 the Board of Directors of Adams Golf, July 22, 1998.</p> <p>12 Q. And do you recall attending this meeting?</p> <p>13 A. Yes.</p> <p>14 Q. And other than seeing your name on the front</p> <p>15 pages as one of the attendees, do you have a specific</p> <p>16 recollection of the meeting?</p> <p>17 A. No.</p> <p>18 Q. Can you turn to the third page of the minutes?</p> <p>19 I just had a question for you from that page.</p> <p>20 In the middle of the page after the</p> <p>21 resolutions, there is a statement that the board asked</p> <p>22 management to furnish a summary of the corporation's</p> <p>23 director and officer insurance coverage, do you recall</p> <p>24 that discussion at a board meeting?</p>	<p style="text-align: right;">Page 40</p> <p>1 Q. Okay. From your own recollection, you can</p> <p>2 feel free to use this document to refresh your</p> <p>3 recollection.</p> <p>4 What do you remember about that call and why</p> <p>5 it took place?</p> <p>6 A. To the best of my recollection, it was really</p> <p>7 a call to discuss with the bankers the pricing pressure</p> <p>8 on our stock and a review of the industry issues that</p> <p>9 were the -- that were contributing to that and trying to</p> <p>10 decide how we should address it.</p> <p>11 Q. Okay. Now that you've had a chance to review</p> <p>12 these minutes, do you believe they accurately reflect</p> <p>13 the discussion that took place on the call?</p> <p>14 A. Yes.</p> <p>15 Q. Were there any other factors that were</p> <p>16 discussed that are not reflected in these minutes?</p> <p>17 A. Not to my recollection.</p> <p>18 Q. Are there any things listed here that you do</p> <p>19 not believe were discussed on the call?</p> <p>20 A. I thought I said I thought this represented</p> <p>21 the discussion.</p> <p>22 Q. Okay. I just want to make sure I've got it</p> <p>23 right.</p> <p>24 Now, in the --</p>
<p style="text-align: right;">Page 39</p> <p>1 A. No.</p> <p>2 Q. Do you remember any requests by the board</p> <p>3 regarding the corporation's D and O policy?</p> <p>4 A. No.</p> <p>5 (Deposition Exhibit Number 78 marked</p> <p>6 for identification.)</p> <p>7 BY MS. DESPER:</p> <p>8 Q. Okay. Mr. Conner, I would like to hand you</p> <p>9 what's been marked as Exhibit 78 and ask you to review</p> <p>10 that.</p> <p>11 Let me know when you're finished.</p> <p>12 A. Okay.</p> <p>13 Q. Can you identify this for the record?</p> <p>14 A. This is a memo to the board of directors from</p> <p>15 Barney Adams. I don't know. The document doesn't have</p> <p>16 a date on it. It refers to a conference call of</p> <p>17 July 28th.</p> <p>18 Q. And you're listed as one of the participants</p> <p>19 in that call, is that correct?</p> <p>20 A. That's correct.</p> <p>21 Q. Do you have a recollection of this particular</p> <p>22 call?</p> <p>23 A. Not in detail. I recall the call, but I don't</p> <p>24 recall the detail.</p>	<p style="text-align: right;">Page 41</p> <p>1 A. This, by the way, this discussion here really</p> <p>2 is to address what's happening in the market, what's</p> <p>3 creating the overall market pressure. Because, we were</p> <p>4 not only having problems, the entire industry was having</p> <p>5 problems. And we were trying to see what was</p> <p>6 contributing to that. There were industry reviews and</p> <p>7 seeing what we could do about it.</p> <p>8 Q. Okay. On the second page, second to the last</p> <p>9 paragraph, there is a sentence that says, Finis Conner</p> <p>10 emphasized that we should not accelerate new product</p> <p>11 introductions unless the business opportunity warrants.</p> <p>12 I haven't read the whole sentence, but I would</p> <p>13 like you to read that, and I want to ask you whether you</p> <p>14 remember making that statement and why?</p> <p>15 A. I don't recall.</p> <p>16 (Deposition Exhibit Number 79 marked</p> <p>17 for identification.)</p> <p>18 BY MS. DESPER:</p> <p>19 Q. Okay. Mr. Conner, I'm going to hand you what's</p> <p>20 been marked as Exhibit 79. I'll ask you to take a look</p> <p>21 at that and let me know when you're finished reviewing</p> <p>22 it.</p> <p>23 A. Okay.</p> <p>24 Q. Can you describe this document for the record?</p>

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<p>1 A. It's a memo from -- it's a memo to the board 2 of directors from Barney Adams dated September 25th, 3 1998 referencing the third quarter results. 4 Q. Do you recall receiving this document? 5 A. I don't recall. 6 Q. Do you have any reason to believe you would 7 not have received it at the time? 8 A. No. 9 Q. Okay. I had a couple questions about this 10 document for you. On the first page, under Section A, 11 at the end of that line, it says, serious problems were 12 found and changes were made, more are coming, 13 referencing the sales department. 14 Do you remember what problems those are that 15 are referenced there? 16 A. No, I don't recall. 17 Q. Okay. On the next page, in the middle of the 18 page, there is a -- sorry, the fourth paragraph, it says 19 at the same time, we need to better understand and 20 improve our budgeting process. We made a very poor 21 business judgment recently which adversely affected 22 third quarter sales. 23 Do you recall what is meant by a very poor 24 business judgment?</p>	<p>1 Q. Okay. Do you have any recollection, though, 2 other than now, reading the document as you sit here 3 today, about that particular incident? 4 A. No. 5 (Deposition Exhibit Number 80 marked 6 for identification.) 7 BY MS. DESPER: 8 Q. I'm going to hand you what's been marked as 9 Deposition Exhibit 80 and ask you to take a look at 10 that. 11 A. Okay. 12 Q. Can you identify this document for the record? 13 A. This is a memo from Barney Adams dated 14 October 8th, 1998 referencing the fourth quarter. 15 Q. And your name is listed as one of the people 16 who this document is to, is that correct? 17 A. That's correct. 18 Q. Do you remember receiving this document? 19 A. I don't recall. 20 Q. Do you have any reason to believe you didn't 21 receive it? 22 A. No. 23 Q. Okay. There are a number of other people 24 listed in the to line for this document. Are those</p>
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<p>1 A. I think that's described in the subsequent 2 paragraph. 3 Q. All right. And can you explain to me what 4 that discussion is about? 5 MR. BESSETTE: I'm sorry. What's reflected 6 here -- 7 BY MS. DESPER: 8 Q. What's reflected here in these two paragraphs? 9 What is Mr. Adams talking about here? 10 A. It appears that he was over budget in a -- he 11 was over budget I guess in sales expense and trying to 12 bring the costs down. They subsequently cut some 13 variable selling and advertising expenses, which turned 14 out to be the wrong thing to do, according to what's 15 written here. 16 Q. Other than what you're reading there, do you 17 have any recollection about this particular incident? 18 A. No. 19 Q. Okay. Now, I'm sorry. I didn't mean to make 20 you read the document. 21 A. This is a document that appears to me that 22 Barney is acknowledging and telling the board there's 23 some issues that he's dealing with, from a management 24 issue, which is a proper thing to do.</p>	<p>1 individuals also board members? 2 A. Yes. 3 Q. Other than as we just read through this 4 document sitting here today, do you have any 5 recollection of receiving this information at the time, 6 on or about October '98? 7 A. Well, I recall that we were seeing an 8 acceleration of gray marketing, as you called it, 9 through Costco and getting feedback from customers that 10 it was disrupting their business. 11 And we were trying to find a solution for that 12 in conjunction with all the other marketing issues that 13 were contributing. 14 The gray market was not as big a percent of 15 the problem, I don't believe, my recollection, as the 16 rest of the economic conditions. 17 Q. Okay. Now, this is the first document that we 18 have seen to the board that specifically addresses the 19 Costco issue. Do you recall receiving information from 20 the company about this issue prior to the date of this 21 document? 22 MR. BESSETTE: I know that's been asked and 23 answered. But go ahead. 24 THE WITNESS: Yes. And it was the press</p>

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<p>1 release that was released identifying an action to be 2 taken against Costco prior to the IPO. 3 BY MS. DESPER: 4 Q. Okay. Was there, other than that one 5 document, was there anything else before this 6 October 8th document that you recall? 7 A. Not to my recollection. But that was never an 8 issue. It was never an issue that warranted much 9 discussion because it was not a big part of our 10 business, at all. 11 It's -- gray marketing is part of business. 12 And what has to happen is you have to try to shut it 13 down when you can, support your customers, and that's 14 what management was doing. 15 It was not a big issue until all the other 16 economic conditions contributed to it. That, to me, was 17 the biggest problem. 18 (Deposition Exhibit number 81 marked 19 for identification) 20 BY MS. DESPER: 21 Q. Okay. I'm going to hand you what's been 22 marked as Exhibit 81. And let me know when you've had a 23 chance to review it 24 A. Okay.</p>	<p>1 that point might be taken? 2 A. I don't recall that. 3 Q. Okay. And then on the last page there is a 4 sentence at the end of the first paragraph there that 5 the board recommended that outside counsel be included 6 in the teleconference scripting rehearsal, do you recall 7 that discussion? 8 A. Where do you see that? 9 Q. The top of the page, the first -- last line of 10 the first paragraph on the third page? 11 A. Okay. I see it. 12 Q. Do you recall that discussion? 13 A. No. 14 Q. Okay. We're through with that one, then. 15 (Deposition Exhibit number 82 marked 16 for identification) 17 BY MS. DESPER: 18 Q. Okay. I'm going to hand you what's been 19 marked as Exhibit 82 and give you a moment to review it. 20 Let me know when you're finished -- you know 21 what? I'm sorry. Can I take those back? There is a 22 document stapled to the second page that shouldn't be 23 there. Sorry. 24 I'll try to be a little more careful with the</p>
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<p>1 Q. Can you identify this for the record? 2 A. It's titled, Minutes of a Special Meeting of 3 the Board of Directors of Adams Golf, dated October 19, 4 1998 5 Q. Do you remember attending this meeting in 6 October of 1998? 7 A. It was a teleconference, telephone conference 8 meeting. 9 Q. Do you recall attending it by telephone? 10 A. Yes. 11 Q. Other than what's written in this document, do 12 you have a specific recollection of what transpired at 13 the meeting? 14 A. No. 15 Q. Okay. Do you have so far as you recall, does 16 this document accurately reflect what transpired at the 17 meeting? 18 A. Yes. 19 Q. Okay. I just had a couple questions for you, 20 one on the second page, the first line of the second 21 page refers to management working with legal counsel to 22 determine what actions may be taken to prevent 23 authorized retailers from diverting product to Costco. 24 Do you recall discussion on what actions at</p>	<p>1 exhibit. 2 Okay. That's the one Mr. Conner should have. 3 That's the original I think. 4 A. Okay. 5 Q. Can you identify this document for the record, 6 please? 7 A. It's titled -- it's a press release from 8 Adams, Adams Golf, identifying the source of gray market 9 supply. 10 Q. Do you remember reading or knowing about the 11 information contained in this document at the time it 12 was issued? 13 A. No. I was off the board of directors by then. 14 Q. Okay. So, would you know who the source that 15 is identified in this document is? 16 A. No. 17 Q. Okay. And I know you told me this earlier, 18 but when did you go off the Adams Golf board? 19 A. I believe it was February 3rd or 4th, 20 something like that. Early February 1999. 21 Q. And why? 22 A. It was my decision to leave the company 23 because I didn't believe I could be effective anymore 24 Q. And why was that?</p>

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<p>1 A. It was really that my participation at the 2 board level was such that I didn't feel that I could 3 contribute effectively to the company going forward and 4 decided to remove myself from the board. 5 Q. And why did you feel you couldn't participate 6 effectively? 7 A. The -- I don't recall specifics, but I knew 8 that I was not comfortable being on the board and I 9 wanted to remove myself, and Barney and I both agreed 10 that it was the right time to do so. 11 Q. Were the reasons issues within the company, or 12 for reasons that had nothing to do with the company? 13 A. It had -- it was management style more than 14 anything else between Barney and I, and I had other 15 things I was beginning to do and I needed more time. 16 Q. Okay. And when you say management style 17 between you and Barney, what do you mean by that? 18 A. Difference of opinion on how we would run a 19 business. Since I'm a businessman I was giving input 20 and he would run it his way and I would do it 21 differently. And at a time that members cannot serve 22 the board and shareholders properly, then I think it's 23 time to make a separation. 24 Q. How would you describe the differences in your</p>	<p>1 yourself a reasonable basis to believe that the 2 statements were true and accurate at the time you signed 3 the registration statement and prospectus? 4 A. The comfort I -- that I gained out of -- let 5 me start over. 6 To gain comfort that the numbers and all the 7 information that was being presented to me was accurate, 8 we had several surrounding entities that were certifying 9 and authenticating information. We had attorneys. We 10 had auditors. We had bankers. We had a lot of 11 independent support there. 12 And certainly, I felt very comfortable that 13 the information and the accuracy of the numbers 14 presented to me being audited by the auditors was 15 accurate. 16 In talking with the bankers and my own 17 experience in the past of working on at least two major 18 IPOs it was historically, having a bank like Montgomery 19 and like Lehman to be your lead bankers, the benefit of 20 that is the resources they can supply to do the due 21 diligence, to do the research, to do the competitive 22 analysis, to do all those things. 23 And clearly, I gained comfort in having them 24 be my partner to do that.</p>
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<p>1 management style? 2 A. I don't recall that. That's been seven, eight 3 years ago now, so I don't recall what the specifics were 4 about it. 5 Q. Okay. Were there any other factors in your 6 decision to resign from the board? 7 A. No. 8 MS. DESPER: I have no further questions. 9 THE WITNESS: Well, good. 10 MR. BESSETTE: Are you kidding? 11 MS. DESPER: That was it. 12 (Discussion off the record.) 13 (Recess taken from 10:49 a.m. to 14 10:58 a.m.) 15 EXAMINATION 16 BY MR. BESSETTE: 17 Q. All right. Just a couple of quick clean-up 18 questions. 19 Mr. Conner, is it your testimony that the 20 statements in the prospectus and registration statement 21 that counsel was showing you today were true and 22 accurate at the time you signed them? 23 A. Yes. 24 Q. Would you describe for us what you did to give</p>	<p>1 So, in looking at the risk assessment, which 2 is or risk factors, I've always thought that area 3 should -- that area should disclose any and all things 4 that are possibly known at that time that could be an 5 issue. 6 And in particular, my background relative to 7 gray market, I have found that the gray market issue is 8 mostly done to accommodate some retail house who is 9 trying to use a loss leader, and so they go buy excess 10 inventory from people and low ball the price to get 11 people in the store. That was never an issue as far as 12 I was concerned relative to Adams. 13 It's my belief that all the risk factors that 14 were outlined covered every known possible scenario that 15 we had, and basically alerted the buyer of the stock to 16 be careful because we don't know all things. We didn't 17 know the conditions that the market would change. We 18 don't know all those kind of situations. 19 So, I wanted to make sure that the risk 20 factors did cover that and it was my belief that it 21 covered all those unknown kind of circumstances. 22 MR. BESSETTE: Okay. I have no further 23 questions. All right. 24 MS. DESPER: All right. That's it.</p>

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1 THE REPORTER: Do you want a copy?	1 STATE OF CALIFORNIA)
2 MR. BESSETTE: Yes. I don't know what details	2)Ss.
3 you all work out.	3 COUNTY OF MONTEREY)
4 (Whereupon, the deposition concluded	4 The witness in the foregoing deposition
5 at 11:02 a.m.)	5 appeared before me, ANNE M. HALL, a Certified Shorthand
6	6 Reporter for the State of California.
7	7 Said witness then and there at the time and
8	8 place previously stated testified under penalty of
9	9 perjury given on said day.
10	10 The testimony of the witness and all the
11	11 questions and remarks requested by counsel were taken by
12	12 me in shorthand at the time and place therein named and
13	13 thereafter, under my direction, transcribed into
14	14 longhand.
15	15 I further certify that I am not of counsel or
16	16 attorney for either or any of the parties to said
17	17 deposition, nor in any way interested in the outcome of
18	18 the cause named in said caption and that I am not
19	19 related to any party thereto.
20	20 IN WITNESS WHEREOF, I have hereunto set my
21	21 hand this _____ of _____ 2006.
22	22
23	23
24	24 CERTIFIED SHORTHAND REPORTER FOR THE STATE OF CALIFORNIA
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1 I, FINIS F. CONNER, have read my statement	
2 consisting of the preceding 54 pages, taken on May 9,	
3 2006, and I certify that:	
4	
5 (Check one.)	
6 _____ I have no corrections.	
7	
8 _____ I have corrections as reflected on the	
9 attached errata sheet and I now approve my statement as	
10 true and correct.	
11	
12 Dated this _____ day of _____,	
13	
14	
15	
16	
17 _____	
18 FINIS F. CONNER	
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